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Policy Points

GOP Congress Protects Social Security, Retires Federal Debt, Aids Medicare, and Cuts Taxes

Members of the 106th Congress in the final hours of its first session passed two pieces of legislation that serve to protect the Social Security surplus, reduce federal debt, aid Medicare beneficiaries, and reduce taxes. [The two bills are H.R. 3194, the conference report on the D.C. appropriations, which contains all five of the remaining appropriation bills and the Medicare adjustment legislation (passed the House, 296-135, on 11/18/99), and H.R. 1180, the conference report on the Work Incentives Improvement Act, which contains the so-called “tax extender provisions” (passed the House, 418-2, on 11/18/99)].

This legislative legacy continues the course of fiscal responsibility and protecting America’s priorities, and insures these continue into the next millennium as well (and these priorities are in addition to already having bolstered America’s security by increasing defense spending by \$10 billion over last year’s level).

Social Security Surplus Protected

In negotiations over the five FY 2000 spending bills that President Clinton had vetoed or threatened to veto, Republicans insured that not one cent of the Social Security surplus be touched.

- This year’s action marks the first time Washington has restrained itself from borrowing from the Social Security account since 1960 — when Eisenhower was president.
- In contrast, President Clinton’s latest budget (FY 2000) raided \$29 billion from the Social Security surplus in three of the next 10 years.

Federal Debt Retired

Congress’s end-of-year legislation assures more and more of the publicly held debt will be retired. Over FY 1998 and FY 1999, \$130 billion in publicly held debt was retired. In FY 2000 alone, another \$130 billion in additional publicly held debt is estimated to be retired.

- Congress's action insures that there will be a federal budget surplus for the third consecutive year — the first time that has happened since 1947-1949. Those surpluses automatically mean the retiring of publicly held federal debt.
- In just three years, the budget surplus has amounted to \$353 billion — with each year breaking the previous all-time record for federal surpluses.
- In contrast, President Clinton's budget for FY 2000 would have left the publicly held debt \$218 billion *higher* than Congress' budget over the next 10 years.

Federal Spending Checked

Last year President Clinton forced through an additional \$13.2 billion in outlays (\$21.4 in budget authority) in end-of-year negotiations. This year Congress held the line on protecting Social Security, and President Clinton was able to increase spending by only \$1.3 billion in outlays (\$3.4 billion in budget authority) — and this time he was forced to offset every cent of it.

- Due to Republican restraint, federal discretionary spending increased by only 2 percent from FY 1999 to FY 2000.
- Despite President Clinton's determined opposition, Republicans succeeded in requiring a 0.38-percent across-the-board (in budget authority or "BA") reduction in discretionary spending programs that translated into a \$2.3-billion reduction in BA and \$1.3 billion in outlays. All told, the four offsets to protect the Social Security surplus total \$6.9 billion in BA and \$9.4 billion in outlays.
- If he'd had his way, Clinton would have increased discretionary spending by an additional \$5 billion in FY 2000 alone — and by an amount that would have been \$91 billion over the bipartisan spending limits through FY 2002 [OMB Midsession Review, p. 35].

Educational Choice and Quality Assured

Republicans increased both educational flexibility and school quality in addition to providing sufficient funding — \$35 billion — for the Department of Education. Republican flexibility initiatives represent a departure from Clinton Administration insistence on Washington-run school boards, while the funding represents a \$2 billion increase over last year's total and \$300 million more than Clinton's request.

- The Republican Congress forced President Clinton to allow Title I funds for failing schools to be used to send students to the public or charter school of their choice.
- Republicans also insure our schools will have more high-quality teachers by giving local educators added flexibility to use a portion of federal funds for teacher training instead of simply hiring new teachers, who may or may not be qualified.

Medicare Beneficiaries Aided

Congress put together a package of Medicare provisions to address some unintended consequences of the Balanced Budget Act of 1997 and to ameliorate the effect of administrative failures of the Clinton Administration. The Medicare provisions add \$1 billion in 2000, \$12.4 billion over the 2000-2004 period, and \$17.1 billion over from 2000 through 2009. In addition, a technical adjustment worth \$9.6 billion over 10 years corrects a flaw in the payment of hospital outpatient costs; this was requested by Clinton Administration officials to allow them to correct their own administrative errors. All totaled, \$27 billion is added back to Medicare over the next 10 years.

- These Medicare changes will help Medicare patients in hospitals — particularly rural, teaching, and cancer hospitals — skilled nursing facility residents, home health care recipients, and seniors who wish to receive their health care through the innovative Medicare+Choice program rather than through the conventional fee-for-service mechanism.
- In contrast to Republicans' approach, President Clinton's budget called for reductions of \$19 billion in projected Medicare spending over the next 10 years. In addition, Clinton's budget contained no serious plan and offered only \$7.5 billion to deal with the critical problems addressed by the Republican Congress in this legislation.

Targeted Tax Relief and Worker Incentives Provided

Republicans remain committed to broad-based middle-class tax relief. For this reason, Republicans voted to pass a \$792 billion tax cut bill — the largest middle-class tax cut since Reagan's presidency. Despite President Clinton's veto of that package and his continuing adamant opposition to tax cuts, Congress was able to pass an \$18.4 billion package of targeted, net tax relief over the next 10 years. The R&D tax credit is extended for five years, and the remaining so-called "extender" provisions are continued through 2001. The bill is fully offset in the first year so that it does not touch any of the Social Security surplus during any of the next 10 years (a total of \$2.9 billion in offsets over 10 years are provided).

- This tax cut insures all middle-class families benefit from the tax credits (such as the \$500/child credit of 1997) Congress has passed — even those who are subject to the onerous and confusing alternative minimum tax (AMT).
- This tax cut aids innovation by extending the R&D tax credit for five years.
- This tax cut encourages employment of the less-skilled through 2 ½-year extensions of the relevant tax provisions such as Welfare-to-Work and the Work Opportunity tax credits.
- The end-of-session legislation also preserves the future non-Social Security surplus and the possibility for tax cuts in later years. According to CBO estimates, roughly \$937 billion in non-Social Security surpluses will remain from 2001-2009.

- HR 1180 also provided new opportunities for disabled individuals to enter the work force by allowing them to retain insurance coverage through Medicare and Medicaid. In addition it also provides new job training and placement opportunities.

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